



## **Office of Democratic Leader Nancy Pelosi**

### **The GOP Tax Agreement: Not Fair, Not Fast-Acting and Not Fiscally Responsible**

Tonight, the House will vote on their reckless tax cut that will not create jobs and will hurt long-term economic growth by saddling our children with massive debt. It is remarkable that with nearly 9 million people out of work, Republicans are trying to pass tax cuts for the wealthy by calling it a jobs and growth plan.

- ! **GOP Tax Plan Will Not Create Jobs.** The GOP tax agreement centers on tax breaks – a dividend tax cut and a capital gains tax cut – that, like the President’s plan, do not create jobs. Economists such as Economy.com and Goldman Sachs have rated the dividend tax cut as one of the least effective options for growing the economy, while the Congressional Budget Office has concluded that the capital gains tax cut will have little economic bang for the buck. (“**Economic Stimulus: Evaluating Proposed Changes in Tax Policy**,” Congressional Budget Office, 1/2002) The American people simply cannot afford a reckless plan that economists agree will not create jobs, after having already lost 2.7 million private sector jobs.
- ! **Irresponsibly Piles Up Debt.** Like the Bush plan, the GOP agreement is fiscally irresponsible, saddling our children with debt and hurting long-term economic growth. With the GOP economic plan, Republicans will have turned a projected \$5.6 trillion surplus over 10 years into a record \$2 trillion deficit. More than 400 economists, as well as Federal Reserve Chairman Alan Greenspan, agree that these huge deficits threaten economic growth. Economy.com has estimated that these massive deficits will result in a 1% drop in economic growth (GDP) and a loss of 750,000 jobs in 2013. That is why Greenspan has stated flatly, “It is very important for us to maintain the degree of fiscal restraint over the years ahead, because it’s only under those conditions that I think we can create a fiscal policy which significantly assists in acceleration of economic growth...” (Testimony before the Senate Banking Committee, 4/30/03)
- ! **Tax Cuts for Middle Income Families are a Hoax.** Instead of making tax cuts for families a priority, Republicans make the increase in the child tax credit and the marriage penalty relief a temporary afterthought. This means that middle-income families will actually see their taxes go up in 2005 – as the amount of the child tax credit will actually drop from \$1,000 in 2004 to \$700 in 2005. Republicans are showing their true values and priorities by providing the wealthy long-lasting tax breaks, while America’s families get shortchanged with tax increases. Even independent Senator Jim Jeffords said, “I am deeply disturbed by reports that the Republican leadership is willing to sacrifice increases in the child-tax credits that support our working families to make room for the President’s dividend-tax-credit proposal.”(AP, 5/1/03)

- ! **Enron Accounting.** While the stated cost of the tax package less than one-half of the President's (\$350 billion), or in the President's words "itty bitty," the Republicans are simply taking a page out of the Ken Lay play book. The GOP package is full of gimmicks and accounting tricks designed to hide the true cost to taxpayers, our future generations, and our economy. Specifically, the GOP package makes temporary a number of popular tax provisions, including marriage penalty relief and the child tax credit. It also sunsets the dividend and capital gains tax cuts at the end of 2008 to bring down the total cost of the package. Some Republicans admit these will be extended, raising the package's cost to up to \$1 trillion – (38%) more than the President's plan. (Center on Budget and Policy Priorities, 5/22/03) In addition, Majority Leader Tom DeLay has already said he hopes to be back with "one or two [tax] packages, probably this summer." (*Washington Times*, 5/21/03)
- ! **Risks Social Security to Make Room for Tax Breaks and Tax Shelters for the Wealthy.** Under the GOP tax plan, Republicans would borrow and spend all of the money from the Social Security Trust Fund over the next 10 years, just as the Baby Boomers are about to retire. And this is all to pay for tax cuts that are even more targeted to the wealthy than under the President's plan. According to the Tax Policy Center, the conference agreement is virtually identical to the House bill in its tilting toward the wealthy, which means the top 5 percent of households would receive 72 percent of the tax cut from the dividend-capital gains proposals – compared to 64 percent under the President's dividend proposal. Overall, the GOP tax agreement would provide tax cuts of \$93,500 to those making over \$1 million, while the typical taxpayer would get an average tax cut of \$217 – less than 60 cents a day. In fact, 53% of taxpayers would get less than \$100 under the GOP plan. Even further, some are calling this the Great Tax Shelter Act because through these tax breaks "some rich investors may be able to avoid paying almost any taxes." (*Wall Street Journal*, 5/22/03)
- ! **Crowds out Investments Important to Long-term Economic Growth.** Because of the huge tax cuts, the Republican economic plan fails to adequately invest in our nation's future – just like the President's plan. The GOP plan crowds out investment in education, training, infrastructure, and research and development to pay for the tax cuts for the wealthy. Next year, the GOP tax plan gives tax cuts totaling approximately \$46 billion to those making over \$374,000 a year, while their budget provides \$9.7 billion less than the amount promised in the No Child Left Behind Act for educating our children. (Compiled using data from Citizens for Tax Justice and the Joint Committee on Taxation) In all, the GOP budget includes \$128 billion in unidentified spending cuts, which means that such vital programs as education, job training, infrastructure, and research and development will all be subject to significant cuts thanks to Republican tax cuts.
- ! **Democrats have a responsible, real economic growth plan that would create more than 1 million jobs in 2003** with significant investments in our people and tax relief in 2003 for middle-class families. It will put money and purchasing power in the hands of consumers, give tax breaks to help small businesses and encourage business investment, and provide money to help states deal with their dire fiscal crises – providing funding for homeland security, transportation, and health-care costs. At the same time, it protects key investments in education, veterans, and research and development, without creating deficits that will harm our economy as far as the eye can see.